

## Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 AID-31 AGRE-00 IGA-02 EB-08

CIAE-00 INR-07 NSAE-00 COME-00 XMB-02 FRB-03 L-03

H-01 OMB-01 /069 W

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3978

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E.O. 11652: N/A

TAGS: EAID, EAGR, IMF, BG

SUBJ: IMF TRUST FUND LOAN PROGRAM

SUMMARY: IMF SEES POSSIBLE FOODGRAIN SHORTFALL IN SECOND HALF OF FY 1977 END SUMMARY.

1. AN IMF TEAM (PAUL GHABRIER AND WILHELM EVERS) VISITED BANGLADESH MID-MARCH AND DISCUSSED A PROGRAM TO SUPPORT A TRUST FUND LOAN OF AT LEAST \$26 MILLION. (AMOUNT WILL VARY WITH FINAL RESULTS OF IMF GOLD SALES AND NUMBER OF ELIGIBLE COUNTRIES ACTUALLY QUALIFYING FOR LOANS). BANGLADESH IS EXPECTED TO DRAW THE FUNDS IN DECEMBER, 1977. THE 10-YEAR LOAN BEARS INTEREST AT ONE-HALF OF ONE PERCENT; THERE IS A FIVE-YEAR GRACE PERIOD; THE CAPITAL IS TO BE REPAID IN FIVE ANNUAL INSTALLMENTS BEGINNING IN THE SIXTH YEAR.

2. TO BE ELIGIBLE TONBORROW FROM THE TRUST FUND, THE BDG MUST AGREE WITH THE IMF ON A FUNANCIAL PROGRAM EQUIVALENT TO A FIRST CREDIT TRANCHE STAND-BY PROGRAM. (SEE APPENDIX TO IMF ANNUAL REPORT FOR 1976). NO SUCH PROGRAM EXISTS IN BANGLADESH AT PRESENT. THERE HAD BEEN AN AGREED STAND-BY PROGRAM FOR 1975/76, BUT NONE WAS APPROVED BY THE IMF FOR 1976/77 (76 DACCA 5638 AND PREVIOUS). HOWEVER, THE TEAM

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MEMBERS REACHED PROMPT AGREEMENT ON A DRAFT PROGRAM FOR BANGLADESH COVERING THEPERIOD APRIL 1, 1977 TO MARCH 31, 1978.

3. THIS PROGRAM, NOT YET FORMALLY APPROVED BY THE IMF EXECUTIVE DIRECTORS, CONTAINS GENERAL ASSURANCES CONCERNING THE BDG INTENTION TO CONTINUE IN FY 1978 THE RESPONSIBLE

FISCAL AND MONETARY POLICIES FIRST ADOPTED IN 1975/76 AND FOLLOWED IN 1976/77. THESE INCLUDE COMMITMENT TO BALANCED BUDGETS IN FY 1977 AND FY 1978, AND A SPECIFIC COMMITMENT TO LIBERALIZE FURTHER PAYMENTS FOR CURRENT INTERNATIONAL TRANSACTIONS (E.G. IMPORTS, TRAVEL ALLOWANCES FOR EXPORTERS).

4. THE IMF MISSION EXPRESSED STRONG CONCERN OVER THE POSSIBILITY OF A SHORTFALL IN FOODGRAIN SUPPLIES, PARTICULARLY RICE, DURING THE JULY-DECEMBER, 1977 PERIOD. FUND STAFF MAY WELL RAISE THIS MATTER WITH USG OFFICIALS IN WASHINGTON.  
MASTERS

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NNN

## Message Attributes

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**TAGS:** EAID, EAGR, BG, IMF  
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